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MONTGOMERY COUNTY SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2014**

**MONTGOMERY COUNTY SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
 Montgomery County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Montgomery County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Montgomery County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Montgomery County School District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-13 and 40-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Montgomery County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2015, on our consideration of the Montgomery County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Montgomery County School District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC.

Watkins Ward and Stafford, PLLC

Louisville, Mississippi

March 7, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MONTGOMERY COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

The following discussion and analysis of Montgomery County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2014 increased \$81,434, including a prior period adjustment of (\$45,371), which represents a 6% increase from fiscal year 2013. Total net position for 2013 increased \$345,651, including a prior period adjustment of \$7,330, which represents a 37% increase from fiscal year 2012.
- General revenues amounted to \$3,384,497 and \$3,448,877, or 77% and 75% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,001,152, or 23% of total revenues for 2014, and \$1,149,024, or 25 % of total revenues for 2013.
- The District had \$4,258,844 and \$4,259,590 in expenses for fiscal years 2014 and 2013; only \$1,001,152 for 2014 and \$1,149,024 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$3,384,497 for 2014 and \$3,448,887 for 2013 were adequate to provide for these programs.
- Among major funds, the General Fund had \$3,219,858 in revenues and \$3,314,669 in expenditures for 2014, and \$3,243,896 in revenues and \$3,015,441 in expenditures in 2013. The General Fund's fund balance increased by \$5,617 from 2013 to 2014, and increased by \$200,424 from 2012 to 2013.
- Capital assets, net of accumulated depreciation, increased by \$64,034 for 2014 and decreased by \$42,930 for 2013. The increase for 2014 was due to the purchase of school buses.
- Long-term debt decreased by \$112,139 for 2014 and decreased by \$56,120 for 2013. This decrease for 2014 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$3,515 for 2014 and decreased by \$6,325 for 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**MONTGOMERY COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

The Statement of Net Position presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest on long-term liabilities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

**MONTGOMERY COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

**MONTGOMERY COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$1,372,117 as of June 30, 2014.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Table 1 presents a summary of the District's net position at June 30, 2014 and June 30, 2013.

**Table 1
Condensed Statement of Net Position**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Current assets	\$ 1,043,765	\$ 1,138,980	-8.36 %
Restricted assets	157,721	154,147	2.32 %
Capital assets, net	<u>672,527</u>	<u>608,493</u>	10.52 %
Total assets	<u>1,874,013</u>	<u>1,901,620</u>	-1.45 %
Current liabilities	65,029	65,446	-0.64 %
Long-term debt outstanding	<u>436,867</u>	<u>545,491</u>	-19.91 %
Total liabilities	<u>501,896</u>	<u>610,937</u>	-17.85 %
Net position:			
Net investment in capital assets	292,874	130,238	124.88 %
Restricted	756,688	856,180	-11.62 %
Unrestricted	<u>322,555</u>	<u>304,265</u>	6.01 %
Total net position	<u>\$ 1,372,117</u>	<u>\$ 1,290,683</u>	6.31 %

The following are significant current year transactions that have had an impact on the Statement of Net Position.

- Increase in net capital assets in the amount of \$64,034.
- The principal retirement of \$112,139 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$4,385,649 and \$4,597,912, respectively. The total cost of all programs and services was \$4,258,844 for 2014 and \$4,259,590 for 2013.

**MONTGOMERY COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

**Table 2
Changes in Net Position**

	<u>Year Ended June 30, 2014</u>	<u>Year Ended June 30, 2013</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 77,202	\$ 68,561	12.60 %
Operating grants and contributions	923,950	1,070,751	(13.71) %
Capital Grants and Contributions	-	9,712	(100.00) %
General revenues:			
Property taxes	1,110,956	1,047,112	6.10 %
Grants and contributions not restricted	2,153,603	2,236,242	(3.70) %
Investment earnings	1,337	1,721	(22.31) %
Sixteenth section sources	116,882	163,244	(28.40) %
Other	1,719	568	202.64 %
Total revenues	<u>4,385,649</u>	<u>4,597,911</u>	(4.62) %
Expenses:			
Instruction	2,148,125	2,176,575	(1.31) %
Support services	1,761,730	1,752,482	0.53 %
Non-instructional	261,657	270,021	(3.10) %
Sixteenth section	63,696	36,397	75.00 %
Interest on long-term liabilities	23,636	24,115	(1.99) %
Total expenses	<u>4,258,844</u>	<u>4,259,590</u>	(0.02) %
Increase (Decrease) in net position	<u>126,805</u>	<u>338,321</u>	(62.52) %
Net Position, July 1, as previously reported	<u>1,290,683</u>	<u>945,032</u>	36.58 %
Prior Period Adjustment	<u>(45,371)</u>	<u>7,330</u>	(718.98) %
Net Position, July 1, as restated	<u>1,245,312</u>	<u>952,362</u>	30.76 %
Net Position, June 30	<u>\$ 1,372,117</u>	<u>\$ 1,290,683</u>	6.31 %

Governmental activities

The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest on long-term liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

**MONTGOMERY COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

**Table 3
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2014</u>	<u>2013</u>	
Instruction	\$ 2,148,125	\$ 2,176,575	(1.31) %
Support services	1,761,730	1,752,482	0.53 %
Non-instructional	261,657	270,021	(3.10) %
Sixteenth section	63,696	36,397	75.00 %
Interest on long-term liabilities	23,636	24,115	(1.99) %
Total expenses	<u>\$ 4,258,844</u>	<u>\$ 4,259,590</u>	(0.02) %

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2014</u>	<u>2013</u>	
Instruction	\$ (1,654,998)	\$ (1,586,221)	4.34 %
Support services	(1,525,043)	(1,451,200)	5.09 %
Non-instructional	9,681	(21,001)	(146.10) %
Sixteenth section	(63,696)	(28,029)	127.25 %
Interest on long-term liabilities	(23,636)	(24,115)	(1.99) %
Total net (expense) revenue	<u>\$ (3,257,692)</u>	<u>\$ (3,110,566)</u>	4.73 %

- Net cost of governmental activities (\$3,257,692 for 2014 and \$ 3,110,566 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$1,110,956 for 2014 and \$1,047,112 for 2013) and state and federal revenues (\$2,153,603 for 2014 and \$2,236,242 for 2013). In addition, there was \$116,882 and \$163,244 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$1,337 for 2014 and \$1,721 for 2013.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$1,144,453, a decrease of \$92,568, which includes a decrease in inventory of \$2,151. \$376,146 or 33% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$768,307 or 67% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

**MONTGOMERY COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$5,617. The fund balance of Other Governmental Funds showed an increase in the amount of \$1,775, which includes a decrease in reserve for inventory of \$2,151. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Extended School Year \$	-
Title I Fund \$	-
Twenty First Century Fund	-
Forestry Escrow Fund \$	(164,633)
16th Section Interest Fund \$	64,673

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2014, the District's total capital assets were \$2,375,976, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$147,628 from 2013. Total accumulated depreciation as of June 30, 2014, was \$1,703,449, and total depreciation expense for the year was \$44,189, resulting in total net capital assets of \$672,527.

**Table 4
Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Land	\$ 11,203	\$ 11,203	0.00 %
Buildings	276,073	279,600	(1.26) %
Building improvements	56,250	60,952	(7.71) %
Improvements other than buildings	17,846	18,961	(5.88) %
Mobile equipment	223,725	96,343	132.22 %
Furniture and equipment	11,510	61,235	(81.20) %
Leased property under capital leases	75,920	80,199	(5.34) %
Total	\$ 672,527	\$ 608,493	10.52 %

Additional information on the District's capital assets can be found in Note 5 included in this report.

**MONTGOMERY COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Debt Administration. At June 30, 2014, the District had \$436,867 in outstanding long-term debt, of which \$108,493 is due within one year. The liability for compensated absences increased \$3,515 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 370,000	\$ 450,000	(17.78) %
Shortfall notes payable	28,044	41,581	(32.56) %
Obligations under energy efficiency leases	9,653	28,255	(65.84) %
Compensated absences payable	29,170	25,655	13.70 %
Total	<u>\$ 436,867</u>	<u>\$ 545,491</u>	(19.91) %

Additional information on the District's long-term debt can be found in Note 6 included in this report.

CURRENT ISSUES

The Montgomery County School District actively pursues grant funding to supplement the local, state and federal revenues.

Enrollment for the 2013-2014 year increased by 4% to 297 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Montgomery County School District, P.O. Box 687, Winona, MS 38967.

FINANCIAL STATEMENTS

Montgomery County School District
Statement of Net Position
June 30, 2014

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 830,555
Due from other governments	205,770
Other receivables, net	3,261
Inventories	4,179
Restricted assets	157,721
Capital assets, non-depreciable:	
Land	11,203
Capital assets, net of accumulated depreciation:	
Buildings	276,073
Building improvements	56,250
Improvements other than buildings	17,846
Mobile equipment	223,725
Furniture and equipment	11,510
Leased property under capital leases	75,920
Total Assets	<u>1,874,013</u>
Liabilities	
Accounts payable and accrued liabilities	42,272
Unearned revenue	14,761
Interest payable on long-term liabilities	7,996
Long-term liabilities, due within one year:	
Capital related liabilities	94,653
Non-capital related liabilities	13,840
Long-term liabilities, due beyond one year:	
Capital related liabilities	285,000
Non-capital related liabilities	43,374
Total Liabilities	<u>501,896</u>
Net Position	
Net investment in capital assets	292,874
Restricted for:	
Expendable:	
School-based activities	346,880
Debt service	92,230
Forestry improvements	187,492
Unemployment benefits	19,613
Non-expendable:	
Sixteenth section	110,473
Unrestricted	322,555
Total Net Position	<u>\$ 1,372,117</u>

The notes to the financial statements are an integral part of this statement.

Montgomery County School District
Statement of Activities
For the Year Ended June 30, 2014

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 2,148,125	\$ 59,459	\$ 433,668	\$	\$ (1,654,998)
Support services	1,761,730		236,687		(1,525,043)
Non-instructional	261,657	17,743	253,595		9,681
Sixteenth section	63,696				(63,696)
Interest on long-term liabilities	23,636				(23,636)
Total Governmental Activities	\$ 4,258,844	\$ 77,202	\$ 923,950	\$ 0	\$ (3,257,692)

General Revenues:

Taxes:

General purpose levies 1,097,296

Debt purpose levies 13,660

Unrestricted grants and contributions:

State 2,119,244

Federal 34,359

Unrestricted investment earnings 1,337

Sixteenth section sources 116,882

Other 1,719

Total General Revenues 3,384,497

Change in Net Position 126,805

Net Position - Beginning, as previously reported 1,290,683

Prior Period Adjustments (45,371)

Net Position - Beginning 1,245,312

Net Position - Ending \$ 1,372,117

The notes to the financial statements are an integral part of this statement.

	Major Funds							Total Governmental Funds
	General Fund	Extended School Year Fund	Title 1 Fund	Twenty First Century Fund	Forestry Escrow Fund	16th Section Interest Fund	Other Governmental Funds	
Assets								
Cash and cash equivalents	\$ 268,268	\$ -	\$ -	\$ -	\$ 188,011	\$ 318,926	\$ 58,528	\$ 833,733
Cash with fiscal agents	-	-	-	-	-	-	27	27
Investments	-	-	-	-	-	-	154,509	154,509
Due from other governments	43,911	16,508	21,651	49,077	-	-	74,623	205,770
Accrued interest receivable	-	-	-	-	-	-	7	7
Other receivables, net	-	-	-	-	-	3,261	-	3,261
Due from other funds	104,175	-	-	-	-	-	-	104,175
Inventories	-	-	-	-	-	-	4,179	4,179
Total assets	\$ 416,354	\$ 16,508	\$ 21,651	\$ 49,077	\$ 188,011	\$ 322,187	\$ 291,873	\$ 1,305,661
Liabilities and Fund Balances								
Liabilities:								
Accounts payable and accrued liabilities	\$ 36,585	1,006	283	2,671	519	-	1,208	42,272
Due to other funds	-	15,502	21,368	46,406	-	-	20,899	104,175
Unearned revenue	-	-	-	-	-	-	14,761	14,761
Total Liabilities	\$ 36,585	\$ 16,508	\$ 21,651	\$ 49,077	\$ 519	\$ -	\$ 36,868	\$ 161,208
Fund Balances:								
Nonspendable:								
Inventory	-	-	-	-	-	-	4,179	4,179
Permanent fund principal	-	-	-	-	-	-	110,473	110,473
Restricted:								
Debt service	-	-	-	-	-	-	100,226	100,226
Forestry improvement purposes	-	-	-	-	187,492	-	-	187,492
Grant activities	-	-	-	-	-	-	20,514	20,514
Unemployment benefits	-	-	-	-	-	-	19,613	19,613
16th section interest	-	-	-	-	-	322,187	-	322,187
Assigned:								
Activity funds	3,623	-	-	-	-	-	-	3,623
Unassigned	376,146	-	-	-	-	-	-	376,146
Total Fund Balances	\$ 379,769	\$ -	\$ -	\$ -	\$ 187,492	\$ 322,187	\$ 255,005	\$ 1,144,453
Total Liabilities and Fund Balances	\$ 416,354	\$ 16,508	\$ 21,651	\$ 49,077	\$ 188,011	\$ 322,187	\$ 291,873	\$ 1,305,661

The notes to the financial statements are an integral part of this statement.

Montgomery County School District

Exhibit C-1

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2014

Total fund balances for governmental funds \$ 1,144,453

Amounts reported for governmental activities in the statement of net position are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$ 11,203	
Buildings	957,175	
Building improvements	187,204	
Improvements other than buildings	27,883	
Mobile equipment	614,247	
Furniture and equipment	471,287	
Leased property under capital leases	106,977	
Accumulated depreciation	<u>(1,703,449)</u>	672,527

2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

Limited obligation bonds	\$ (370,000)	
Shortfall notes payable	(28,044)	
Obligations under energy efficiency lease	(9,653)	
Compensated absences	(29,170)	
Accrued interest payable	<u>(7,996)</u>	(444,863)

Net position of governmental activities \$ 1,372,117

The notes to the financial statements are an integral part of this statement.

Montgomery County School District
Governmental Funds

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances
For The Year Ended June 30, 2014

	Major Funds							Total Governmental Funds
	General Fund	Extended School Year Fund	Title I Fund	Twenty First Century Fund	Forestry Escrow Fund	16th Section Interest Fund	Other Governmental Funds	
Revenues:								
Local sources	\$ 1,158,906	-	-	-	-	-	\$ 31,437	\$ 1,190,343
State sources	2,023,594	-	-	-	-	-	178,026	2,201,620
Federal sources	37,358	-	294,574	161,307	-	-	382,693	875,932
Sixteenth section sources	-	-	-	-	339	117,051	364	117,754
Total Revenues	3,219,858	-	294,574	161,307	339	117,051	592,520	4,385,649
Expenditures:								
Instruction	1,724,048	10,547	197,272	82,746	-	-	119,466	2,134,079
Support services	1,590,621	5,961	17,466	74,935	-	-	192,869	1,881,852
Noninstructional services	-	-	34,994	-	-	-	224,326	259,320
Sixteenth section	-	-	-	-	11,318	52,378	-	63,696
Debt service:								
Principal	-	-	-	-	-	-	112,139	112,139
Interest	-	-	-	-	-	-	23,730	23,730
Other	-	-	-	-	-	-	1,250	1,250
Total Expenditures	3,314,669	16,508	249,732	157,681	11,318	52,378	673,780	4,476,066
Excess (Deficiency) of Revenues over (under) Expenditures	(94,811)	(16,508)	44,842	3,626	(10,979)	64,673	(81,260)	(90,417)
Other Financing Sources (Uses):								
Operating transfers in	158,930	16,508	-	-	-	-	86,836	262,274
Operating transfers out	(58,502)	-	(44,842)	(3,626)	(153,654)	-	(1,650)	(262,274)
Total Other Financing Sources (Uses)	100,428	16,508	(44,842)	(3,626)	(153,654)	-	85,186	-
Net Change in Fund Balances	5,617	-	-	-	(164,633)	64,673	3,926	(90,417)
Fund Balances: July 1, 2013	374,152	-	-	-	352,125	257,514	253,230	1,237,021
Increase (Decrease) in reserve for inventory	-	-	-	-	-	-	(2,151)	(2,151)
June 30, 2014	\$ 379,769	\$ -	\$ -	\$ -	\$ 187,492	\$ 322,187	\$ 255,005	\$ 1,144,453

The notes to the financial statements are an integral part of this statement.

Montgomery County School District
 Governmental Funds

Exhibit D-1

Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds \$ (90,417)

Amounts reported for governmental activities in the statement of activities are different because:

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 153,654	
Depreciation expense	(44,189)	109,465
	<u> </u>	

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold. (60)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	\$ 112,139	
Accrued interest payable	1,344	113,483
	<u> </u>	

4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	(3,515)	
Change in inventory reserve	(2,151)	(5,666)
	<u> </u>	

Change in net position of governmental activities \$ 126,805

The notes to the financial statements are an integral part of this statement.

Montgomery County School District
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2014

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ -	\$ 131,523
Investments	19,975	-
Accrued interest receivable	1	-
Total Assets	<u>19,976</u>	<u>\$ 131,523</u>
Liabilities		
Accounts payable and accrued liabilities	-	\$ 128,830
Due to student clubs	-	2,693
Total Liabilities	<u>-</u>	<u>\$ 131,523</u>
Net Position		
Reserved for endowments	19,976	
Total Net Position	<u>\$ 19,976</u>	

The notes to the financial statements are an integral part of this statement.

Montgomery County School District
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2014

Exhibit F

	Private-Purpose Trust Funds
Additions	
Interest on investments	\$ 10
Contributions and donations from private sources	-
Total Additions	<u>10</u>
Deductions	
Scholarships awarded	-
Total Deductions	<u>-</u>
Change in Net Position	<u>10</u>
Net Position	
July 1, 2013	19,966
June 30, 2014	<u>\$ 19,976</u>

The notes to the financial statements are an integral part of this statement.

MONTGOMERY COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

For financial reporting purposes, Montgomery County School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

MONTGOMERY COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2014

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Extended School Year Fund - This is a special revenue fund used to account for expenditures related to the extended school year program.

Title I Fund - This is a special revenue fund used to account for revenue and expenditures of the federal program which is used to improve the teaching and learning of children most at-risk of failing in order to meet the challenging state academic standards. The program allows the district to upgrade the overall instructional program of the schools.

Twenty First Century Fund - This is a special revenue fund used to account for revenues and expenditures related to the Twenty First Century after school program.

Forestry Escrow Fund - This is the school district's fund that is used for improvements to sixteenth section land and timber resources.

16th Section Interest Fund - This fund serves to collect expendable 16th section revenues from various 16th section sources. Expendable revenues from this fund are either shared with other school districts or transferred to the district's General Fund per specific statutory board order.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

The school district also reports fiduciary funds which focus on net position and changes in net position.

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund serves as a clearing fund for payroll type transactions.

Student Club Funds - These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Endowment Fund - This fund is used to fund scholarships for award winners.

Additionally, the school district reports the following fund types:

MONTGOMERY COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2014

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Permanent Funds - Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

MONTGOMERY COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2014

Ad valorem property taxes are levied by the governing authority of the county on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of inter-fund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

D. Encumbrances

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

E. Assets, liabilities and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

MONTGOMERY COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For the Year Ended June 30, 2014**

Investments for the district are reported at fair market value.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e. the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi and various grants and reimbursements from other governments.

4. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

MONTGOMERY COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For the Year Ended June 30, 2014**

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

7. **Compensated Absences**

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

8. **Long-term Liabilities and Bond Discounts/Premiums**

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

9. **Fund Balances**

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

MONTGOMERY COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2014

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is required to be taken by the board to establish the commitment. Currently there is no committed fund balance for this school district.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the District pursuant to authorization established by the board.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 7% of revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

MONTGOMERY COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2014

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$941,021 (which includes \$107,288 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$151,498 (which includes \$19,975 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investment), respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2014, none of the district's bank balance of \$1,157,345 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$27. This amount is presented as restricted assets on Exhibit A.

MONTGOMERY COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For the Year Ended June 30, 2014**

Investments

As of June 30, 2014, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Certificates of deposit		Less than 1 year	\$ 127,263
Hancock Horizon Treasury Securities			
Money Market Mutual Funds	AAAm	Less than 1 year	47,221
Total			<u>\$ 174,484</u>

Interest Rate Risk. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. The investments in the Hancock Horizon Treasury Securities Money Market Mutual Funds are uninsured and unregistered and are not backed by the full faith and credit of the federal government..

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2014, the district did not have any investments for which this disclosure is applicable.

Note 3 – Inter-fund Receivables, Payables and Transfers

The following is a summary of inter-fund transactions and balances:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Extended School Year Fund	\$ 15,502
General Fund	Title I Fund	21,368
General Fund	Twenty First Century Fund	46,406
General Fund	Other Governmental Funds	20,899
Total		<u>\$ 104,175</u>

All inter-fund loans from the General Fund were made to offset deficit cash balances. All other loans were for expenditures made by receiving funds that were due from the General Fund.

MONTGOMERY COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For the Year Ended June 30, 2014**

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
Twenty First Century Fund	General Fund	\$ 3,626
Forestry Escrow Fund	General Fund	153,654
Other Governmental Funds	General Fund	1,650
General Fund	Extended School Year Fund	16,508
General Fund	Other Governmental Funds	41,994
Title I Fund	Other Governmental Funds	44,842
Total		\$ 262,274

The purpose of the transfers was to provide funds for general operating activities. All transfers were routine and consistent with the fund making the transfer.

Note 4 – Restricted Assets

The restricted assets represent the cash, investment and accrued interest receivable balances, totaling \$3,178, \$107,288 and \$7, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash with fiscal agents and investment balance, totaling \$27 and \$47,221, respectively, of the MAEP Retirement Fund.

MONTGOMERY COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For the Year Ended June 30, 2014**

Note 5 – Capital Assets

The following is a summary of changes in capital assets for governmental activities:

	Balance 7/1/2013	Increases	Decreases	Prior Period Adjustments	Balance 6/30/2014
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 11,203	\$	\$	\$	\$ 11,203
Total non-depreciable capital assets	11,203	-	-	-	11,203
<u>Depreciable capital assets:</u>					
Buildings	957,175				957,175
Building improvements	187,204				187,204
Improvements other than buildings	27,883				27,883
Mobile equipment	460,593	153,654			614,247
Furniture and equipment	477,313		6,026		471,287
Leased property under capital leases	106,977				106,977
Total depreciable capital assets	2,217,145	153,654	6,026		2,364,773
<u>Less accumulated depreciation for:</u>					
Buildings	677,575	3,527			681,102
Building improvements	126,252	4,702			130,954
Improvements other than buildings	8,922	1,115			10,037
Mobile equipment	364,250	26,272			390,522
Furniture and equipment	416,078	4,294	5,966	45,371	459,777
Leased property under capital leases	26,778	4,279			31,057
Total accumulated depreciation	1,619,855	44,189	5,966	45,371	1,703,449
Total depreciable capital assets, net	597,290	109,465	60	(45,371)	661,324
Governmental activities capital assets, net	\$ 608,493	\$ 109,465	\$ 60	\$ (45,371)	\$ 672,527

Adjustments represent corrections to accumulated depreciation of various capital assets reported on the June 30, 2013 financial statements.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 12,522
Support services	31,667
Non-instructional	-
Total depreciation expense - Governmental activities	\$ 44,189

MONTGOMERY COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For the Year Ended June 30, 2014**

Note 6 – Long-term Liabilities

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts due within one year
A. Limited obligation bonds payable	\$ 450,000	\$ -	\$ 80,000	\$ 370,000	\$ 85,000
B. Shortfall notes payable	41,581	-	13,537	28,044	13,840
C. Obligations under energy efficiency leases	28,255	-	18,602	9,653	9,653
D. Compensated absences payable	25,655	3,515	-	29,170	-
Total	\$ 545,491	\$ 3,515	\$ 112,139	\$ 436,867	\$ 108,493

A. Limited obligation bonds payable

Limited obligation bonds are direct obligations and pledge the full faith and credit of the school district. Limited obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Bonds, Series 1. 1998	4.5-4.8%	2/1/1998	2/1/2018	\$ 1,230,000	\$ 370,000

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2015	\$ 85,000	\$ 17,718	\$ 102,718
2016	90,000	13,680	103,680
2017	95,000	9,360	104,360
2018	100,000	4,800	104,800
Total	\$ 370,000	\$ 45,558	\$ 415,558

This debt will be retired from the MAEP Retirement Fund.

MONTGOMERY COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For the Year Ended June 30, 2014**

B. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall Notes					
1. Payable	2.50%	8/17/2012	8/17/2015	\$ 41,581	\$ 28,044

The amount outstanding is included in due from other governments on the Statement of Net Position.

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2015	\$ 13,840	\$ 719	\$ 14,559
2016	14,204	355	14,559
Total	\$ 28,044	\$ 1,074	\$ 29,118

This debt will be retired from the debt service – shortfall fund

C. Obligations under energy efficiency leases

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
MS Master Lease Purchase Program - Series 2008A					
	5.03	1/22/2009	10/10/2014	\$ 106,977	\$ 9,653

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2015	\$ 9,653	\$ 243	\$ 9,896

An energy efficiency lease agreement dated January 22, 2009, was executed by and between the district, the lessee, and First Southwest Leasing Company, the lessor.

The agreement authorized the borrowing of \$102,850 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the energy efficiency lease fund and not exceed fifteen (15) years.

MONTGOMERY COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For the Year Ended June 30, 2014**

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

D. Compensated Absences payable

As more fully explained in Note 1(E)(7), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

Note 7 – Defined Benefit Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013 and 2012 were \$374,844, \$329,442 and \$325,962 respectively, which equaled the required contributions for each year.

MONTGOMERY COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2014

Note 8 – Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2015	\$ 118,985
2016	115,465
2017	115,465
2018	94,174
2019	36,272
2020 – 2024	30,550
2025 – 2029	30,250
2030 – 2034	30,100
2035 – 2039	20,525
Total	<u>\$ 591,786</u>

Note 9 – Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 94 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

MONTGOMERY COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2014

Note 10 – Prior Period Adjustments

A summary of significant Net Position adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. Adjustment to correct accumulated depreciation reported on capital assets on the June 30, 2013 financial statements	\$ (45,371)
Total	<u>\$ (45,371)</u>

Note 11 – Contingencies

Federal Grants – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome of liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

Note 12 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Montgomery County School District evaluated the activity of the district through March 7, 2015, (the date the financial statements were available to be issued), and determined that there were no subsequent events that have occurred that would require disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Montgomery County School District
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 1,156,743	\$ 1,165,518	\$ 1,158,906	\$ 8,775	\$ (6,612)
State sources	1,907,670	1,910,442	2,023,594	2,772	113,152
Federal sources	66,000	42,000	37,358	(24,000)	(4,642)
Total Revenues	3,130,413	3,117,960	3,219,858	(12,453)	101,898
Expenditures:					
Instruction	1,685,820	1,768,742	1,724,048	(82,922)	44,694
Support services	1,454,257	1,653,983	1,590,621	(199,726)	63,362
Total Expenditures	3,140,077	3,422,725	3,314,669	(282,648)	108,056
Excess (Deficiency) of Revenues over (under) Expenditures	(9,664)	(304,765)	(94,811)	(295,101)	209,954
Other Financing Sources (Uses):					
Operating transfers in	395,259	606,439	158,930	211,180	(447,509)
Operating transfers out	(482,773)	(517,218)	(58,502)	(34,445)	458,716
Total Other Financing Sources (Uses)	(87,514)	89,221	100,428	176,735	11,207
Net Change in Fund Balances	(97,178)	(215,544)	5,617	(118,366)	221,161
Fund Balances:					
July 1, 2013,	262,917	374,152	374,152	111,235	-
June 30, 2014	\$ 165,739	\$ 158,608	\$ 379,769	\$ (7,131)	\$ 221,161

The notes to the required supplementary information are an integral part of this schedule.

Montgomery County School District
Required Supplementary Information
Budgetary Comparison Schedule
Extended School Year Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Instruction	9,800	9,800	10,547	-	(747)
Support services	5,507	5,507	5,961	-	(454)
Total Expenditures	15,307	15,307	16,508	-	(1,201)
Excess (Deficiency) of Revenues over (under) Expenditures	(15,307)	(15,307)	(16,508)	-	(1,201)
Other Financing Sources (Uses):					
Operating transfers in	15,307	15,307	16,508	-	1,201
Total Other Financing Sources (Uses)	15,307	15,307	16,508	-	1,201
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2013,	-	-	-	-	-
June 30, 2014	\$ -	\$ -	\$ -	\$ -	\$ -

The notes to the required supplementary information are an integral part of this schedule.

Montgomery County School District
Required Supplementary Information
Budgetary Comparison Schedule
Title I Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 261,637	\$ 277,027	\$ 294,574	\$ 15,390	\$ 17,547
				-	-
Total Revenues	261,637	277,027	294,574	15,390	17,547
Expenditures:					
Instruction	132,320	140,576	197,272	(8,256)	(56,696)
Support services	44,000	48,056	17,466	(4,056)	30,590
Noninstructional services	32,990	32,990	34,994	-	(2,004)
Total Expenditures	209,310	221,622	249,732	(12,312)	(28,110)
Excess (Deficiency) of Revenues over (under) Expenditures	52,327	55,405	44,842	3,078	(10,563)
Other Financing Sources (Uses):					
Operating transfers out	(52,327)	(55,405)	(44,842)	(3,078)	10,563
				-	-
Total Other Financing Sources (Uses)	(52,327)	(55,405)	(44,842)	(3,078)	10,563
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2013,	-	-	-	-	-
June 30, 2014	\$ -	\$ -	\$ -	\$ -	\$ -

The notes to the required supplementary information are an integral part of this schedule.

Montgomery County School District
Required Supplementary Information
Budgetary Comparison Schedule
Twenty First Century Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 167,968	\$ 167,968	\$ 161,307	\$ -	\$ (6,661)
Total Revenues	167,968	167,968	161,307	-	(6,661)
Expenditures:					
Instruction	88,973	88,973	82,746	-	6,227
Support services	74,833	74,833	74,935	-	(102)
Total Expenditures	163,806	163,806	157,681	-	6,125
Excess (Deficiency) of Revenues over (under) Expenditures	4,162	4,162	3,626	-	(536)
Other Financing Sources (Uses):					
Operating transfers out	(4,162)	(4,162)	(3,626)	-	536
Total Other Financing Sources (Uses)	(4,162)	(4,162)	(3,626)	-	536
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2013,	-	-	-	-	-
June 30, 2014	\$ -	\$ -	\$ -	\$ -	\$ -

The notes to the required supplementary information are an integral part of this schedule.

Montgomery County School District
Required Supplementary Information
Budgetary Comparison Schedule
Forestry Escrow Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 7,400	\$ 7,400	\$ 339	\$ -	\$ (7,061)
Total Revenues	7,400	7,400	339	-	(7,061)
Expenditures:					
Sixteenth section	16,000	16,000	11,318	-	4,682
Total Expenditures	16,000	16,000	11,318	-	4,682
Excess (Deficiency) of Revenues over (under) Expenditures	(8,600)	(8,600)	(10,979)	-	(2,379)
Other Financing Sources (Uses):					
Operating transfers out	-	(153,654)	(153,654)	(153,654)	-
Total Other Financing Sources (Uses)	-	(153,654)	(153,654)	(153,654)	-
Net Change in Fund Balances	(8,600)	(162,254)	(164,633)	(153,654)	(2,379)
Fund Balances:					
July 1, 2013,	346,135	352,125	352,125	5,990	-
June 30, 2014	\$ 337,535	\$ 189,871	\$ 187,492	\$ (147,664)	\$ (2,379)

The notes to the required supplementary information are an integral part of this schedule.

Montgomery County School District
Required Supplementary Information
Budgetary Comparison Schedule
16th Section Interest Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 154,140	\$ 164,470	\$ 117,051	\$ 10,330	\$ (47,419)
Total Revenues	154,140	164,470	117,051	10,330	(47,419)
Expenditures:					
Sixteenth section	39,300	47,300	52,378	(8,000)	(5,078)
Total Expenditures	39,300	47,300	52,378	(8,000)	(5,078)
Excess (Deficiency) of Revenues over (under) Expenditures	114,840	117,170	64,673	2,330	(52,497)
Other Financing Sources (Uses):					
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	114,840	117,170	64,673	2,330	(52,497)
Fund Balances:					
July 1, 2013,	245,565	257,514	257,514	11,949	-
June 30, 2014	\$ 360,405	\$ 374,684	\$ 322,187	\$ 14,279	\$ (52,497)

The notes to the required supplementary information are an integral part of this schedule.

MONTGOMERY COUNTY SCHOOL DISTRICT

**Notes to the Required Supplementary Information
For the Year Ended June 30, 2014**

Budgetary Comparison Schedule

(1) Basis of Presentation

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTARY INFORMATION

**Montgomery County School District
Supplementary Information
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 77,398
National school lunch program	10.555	165,785
Total child nutrition cluster		<u>243,183</u>
Total passed-through Mississippi Department of Education		<u>243,183</u>
Total U.S. Department of Agriculture		<u>243,183</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	34,359
Total Federal Communications Commission		<u>34,359</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	294,574
Twenty-first century community learning centers	84.287	161,307
Improving teacher quality-State Grants	84.367	63,488
Subtotal		<u>519,369</u>
Special education cluster:		
Special education - grants to states	84.027	70,096
Special education - preschool grants	84.173	5,927
Total special education cluster		<u>76,023</u>
Total passed-through Mississippi Department of Education		<u>595,392</u>
Total U.S. Department of Education		<u>595,392</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	2,999
Total passed-through Mississippi Department of Education		<u>2,999</u>
Total U.S. Department of Health and Human Services		<u>2,999</u>
Total for All Federal Awards		<u>\$ 875,933</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

Montgomery County School District
 Supplementary Information
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2014

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 3,267,769	2,288,999	384,322	224,433	370,015
Other	1,208,297	256,270	120,582	2,382	829,063
Total	<u>\$ 4,476,066</u>	<u>2,545,269</u>	<u>504,904</u>	<u>226,815</u>	<u>1,199,078</u>
Total number of students *	<u>297</u>				
Cost per student	<u>\$ 15,071</u>	<u>8,570</u>	<u>1,700</u>	<u>764</u>	<u>4,037</u>

For purposes of this schedule, the following columnar descriptions are applicable:

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration.

Other - includes all expenditure functions not included in Instruction or Administration Categories.

* includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year

OTHER INFORMATION

Montgomery County School District
Other Information
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years
UNAUDITED

	2014	2013*	2012*	2011*
Revenues:				
Local sources	\$ 1,158,906	\$ 1,093,666	\$ 1,162,377	\$ 1,077,282
State sources	2,023,594	2,064,525	2,091,453	1,958,402
Federal sources	37,358	85,705	30,370	50,897
Total Revenues	3,219,858	3,243,896	3,284,200	3,086,581
Expenditures:				
Instruction	1,724,048	1,641,168	1,802,772	1,690,892
Support services	1,590,621	1,374,273	1,304,456	1,278,189
Total Expenditures	3,314,669	3,015,441	3,107,228	2,969,081
Excess (Deficiency) of Revenues over (under) Expenditures	(94,811)	228,455	176,972	117,500
Other Financing Sources (Uses):				
Bonds and notes issued		41,581		
Insurance recovery		416	9,663	
Sale of transportation equipment		6,526	7,026	
Operating transfers in	158,930	5,608	16,575	88,830
Operating transfers out	(58,502)	(82,162)	(127,161)	(126,252)
Total Other Financing Sources (Uses)	100,428	(28,031)	(93,897)	(37,422)
Net Change in Fund Balances	5,617	200,424	83,075	80,078
Fund Balances:				
Beginning of period,	374,152	173,728	90,653	10,575
End of Period	\$ 379,769	\$ 374,152	\$ 173,728	\$ 90,653

*SOURCE - PRIOR YEAR AUDIT REPORTS

Montgomery County School District
Other Information
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years
UNAUDITED

	2014	2013*	2012*	2011*
Revenues:				
Local sources	\$ 1,190,343	\$ 1,114,490	\$ 1,185,950	\$ 1,100,377
State sources	2,201,620	2,255,721	2,306,577	2,175,717
Federal sources	875,932	1,054,784	1,224,497	1,695,718
Sixteenth section sources	117,754	172,917	109,354	99,841
Total Revenues	4,385,649	4,597,912	4,826,378	5,071,653
Expenditures:				
Instruction	2,134,079	2,158,066	2,566,561	2,836,367
Support services	1,881,852	1,733,389	1,705,370	1,732,678
Noninstructional services	259,320	269,174	268,500	272,091
Sixteenth section	63,696	36,397	37,879	38,932
Debt service:				
Principal	112,139	97,701	91,843	86,026
Interest	23,730	27,409	31,829	35,936
Other	1,250			
Total Expenditures	4,476,066	4,322,136	4,701,982	5,002,030
Excess (Deficiency) of Revenues over (under) Expenditures	(90,417)	275,776	124,396	69,623
Other Financing Sources (Uses):				
Bonds and notes issued		41,581		
Insurance recovery		416	9,663	
Sale of transportation equipment		6,526	7,026	
Operating transfers in	262,274	132,193	211,589	283,167
Operating transfers out	(262,274)	(132,193)	(211,589)	(283,167)
Other financing uses		(1,250)	(550)	(585)
Total Other Financing Sources (Uses)	0	47,273	16,139	(585)
Net Change in Fund Balances	(90,417)	323,049	140,535	69,038
Fund Balances:				
Beginning of period, as previously reported **	1,237,021	914,179	774,810	707,305
Prior period adjustments		(2,651)		
Beginning of period, as restated **	1,237,021	911,528	774,810	707,305
Increase (Decrease) in reserve for inventory	(2,151)	2,444	(1,166)	(1,533)
End of Period	\$ 1,144,453	\$ 1,237,021	\$ 914,179	\$ 774,810

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Superintendent and School Board
Montgomery County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Montgomery County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Montgomery County School District's basic financial statements and have issued our report thereon dated March 7, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Montgomery County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Montgomery County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Montgomery County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (**Finding 2014-1 and 2014-2**).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montgomery County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

Montgomery County School District's Response to Findings

Montgomery County School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Montgomery County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Watkins, Ward and Stafford, PLLC

Louisville, Mississippi
March 7, 2015

Watkins Ward and Stafford, PLLC



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Superintendent and School Board
Montgomery County School District

Report on Compliance for Each Major Federal Program

We have audited Montgomery County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Montgomery County School District's major federal program for the year ended June 30, 2014. Montgomery County School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Montgomery County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Montgomery County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Montgomery County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Montgomery County School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of Montgomery County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Montgomery County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Montgomery County School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Watkins, Ward and Stafford, PLLC

Louisville, Mississippi
March 7, 2015

Watkins Ward and Stafford, PLLC

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

Superintendent and School Board
Montgomery County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Montgomery County School District as of and for the year ended June 30, 2014, which collectively comprise Montgomery County School District's basic financial statements and have issued our report thereon dated March 7, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported no classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
March 7, 2015

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Montgomery County School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? (Yes/No) | No |
| | b. Significant deficiency(ies) identified? (Yes/None reported) | Yes |
| 3. | Noncompliance material to financial statements noted? (Yes/No) | No |

Federal Awards:

- | | | |
|----|---|--|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? (Yes/No) | No |
| | b. Significant deficiency(ies) identified? (Yes/None reported) | None reported |
| 5. | Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? (Yes/No) | No |
| 7. | Identification of major programs: | |
| | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| | 84.010 | Title I grants to local educational agencies |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? (yes/no) | Yes |

Section II: Financial Statement Findings

Significant Deficiencies Not Considered To Be A Material Weakness

Finding 2014-1. Controls surrounding approval of district personnel should be strengthened:

Management is responsible for ensuring that all payroll expenditures made by the district are adequately documented in a timely manner.

During our tests of internal controls related to payroll expenditures we noted the following:

- Board approval for three school tutors could not be located.

Payment of wages to employees who are not approved by the board could result in payments to fictitious employees and could result in improper compensation being paid.

Recommendation:

We recommend that all employees be approved by the board on an annual basis prior to any payment being made to that employee.

School District Response:

The district will ensure that all employees are approved by the board on an annual basis prior to any payment being made to that employee.

Significant Deficiencies Not Considered To Be A Material Weakness

Finding 2014-2. Controls over activity fund receipts should be strengthened.

During our testing of activity fund receipts over athletic events we noted the following deficiency:

- We noted the first and last ticket numbers for the applicable athletic event are not being reported on the school events receipt form. The gatekeepers/cashiers are signing the form to indicate that cash received has been verified, however in a majority of instances there are no beginning and ending ticket numbers on the form. These numbers are necessary to accurately recalculate the sales the applicable event generated and to reconcile these sales to the actual cash collected.

Without proper internal controls being in place to account for all monetary transactions, the district increases the risk of misappropriation of assets and inaccurate recording of revenue.

Recommendation:

We recommend the district implement internal controls to ensure that all deposits are made daily, revenue is properly reported and documentation is maintained to substantiate all receipts. We also recommend that all school event forms contain the correct information regarding beginning and ending ticket numbers for the applicable event, the tickets are issued sequentially with the gate workers and principal at the individual school verifying and signing the applicable event form.

School District Response:

The district will implement internal controls to ensure that all deposits are made daily, revenue is properly reported and documentation is maintained to substantiate all receipts. The district will also ensure that all school event forms contain the correct information regarding beginning and ending ticket numbers for the applicable event, the tickets are issued sequentially with the gate workers and principal at the individual school verifying and signing the applicable event form.

Section III: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questions costs related to the federal awards.